

Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-03 INR-07

NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 3624

INFO USDOC WASHDC

AMEMBASSY ACCRA

C O N F I D E N T I A L LAGOS 2501

E. O. 11652: GDS

TAGS: BEXP, BDIS, EWWT, NI

SUBJ: NIGERIAN CEMENT DISPUTE NEARS SOLUTION

REF : (A) 75 LAGOS 12376 (NOTAL), (B) 75 LAGOS 11621 (NOTAL)

1. NIGERIA'S INTERNATIONAL CEMENT CRISIS, WHICH PEAKED IN OCT-DEC 1975 WHEN PORT CONGESTION LED TO CANCELLATION OF FOREIGN SUPPLIERS' CONTRACTS AND REVOCATION OF LETTERS OF CREDIT, APPEARS VIRTUALLY RESOLVED. FMG'S CEMENT CONTRACTS NEGOTIATING COMMITTEE SINCE ITS FIRST SESSION ON DEC 16 HAS WORKED OUT TERMS OF SETTLEMENT WITH 46 FOREIGN COMPANIES, ALL OF WHOM HAVE AGREED TO CANCEL THE BALANCE OF UNSHIPED CEMENT ORDERS. COMMITTEE WILL SOON DELIVER ITS REPORT TO FMG, AND THE LATTER IS EXPECTED TO RESUME PURCHASING OF CEMENT FROM ABROAD WITHIN 45 DAYS. CURRENT NUMBERS OF CEMENT VESSELS IN LAGOS PORT IS 96, ROUGHLY ONE-THIRD OF LATE SEPTEMBER TOTAL.

2. IN FEB 27 MEETING WITH ECON COUNSELOR, COMMITTEE CHAIRMAN FRED EGBE STATED THAT MUTUALLY SATISFACTORY AGREEMENTS HAD BEEN FORGED WITH ALL BUT TWO CONTRACTORS, AND CLAIMS AND COSTS SETTLED. IN ITS SUMMARY REPORT THE COMMITTEE HAS DIVIDED FOREIGN SUPPLIERS INTO 4 CATEGORIES: (A) THOSE WHO READILY COMPLIED WITH FMG REQUESTS TO HALT SHIPMENTS IN
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AUG-SEPT, (B) THOSE WHO AGREED TO COMPLY BUT STILL SHIPPED

SHORTLY AFTER SEPT CUT-OFF DATE, (C) THOSE WHO SHIPPED AFTER SEPT AND INITIATED CIVIL COURT ACTION, (D) THOSE WHO SHIPPED AFTER FMG DECREE NO. 40 WAS ISSUED IN DECEMBER.

3. ACCORDING TO EGBE, WHO ASKED THAT HIS REMARKS BE KEPT STRICTLY CONFIDENTIAL, FIRMS IN FIRST 3 CATEGORIES WILL ALMOST SURELY BE GIVEN NEW CEMENT ORDERS AFTER FMG RECOMMENCES PROCUREMENT. HOWEVER, THERE WILL BE A SYSTEM OF PRIORITY AND PREFERENCE DESCENDING FROM A. ALTHOUGH TECHNICALLY IN CATEGORY C, TWO U.S. COMPANIES, "FIRST COLUMBIA AND KAISER, CAN REST ASSURED OF NEW ORDERS." BOTH WITHDREW THEIR COURT ACTIONS, "WERE UNDERSTANDING, AND MADE AN EXCELLENT IMPRESSION ON COMING TO LAGOS AND NEGOTIATING WITH THE COMMITTEE." EGBE POINTED OUT FMG I DETERMINED HENCEFORTH TO DEAL MAINLY WITH LARGE, REPUTABLE FIRMS "SUCH AS THE AMERICANS." IN THE TRIBUNAL'S VIEW, A MAJOR ERROR CAUSING THE CEMENT IMBROGLIO WAS PLACEMENT OF ORDERS WITH IRRESPONSIBLE SMALL SUPPLIERS WHO IN TURN WERE REPRESENTED BY COMPLEX LAYERS OF PROFITEERING MIDDLEMEN.

4. CATEGORY D CONSISTS OF TWO GREEK FIRMS WHICH IN DEFIANCE OF FMG HAD DISPATCHED 5 SHIPS TO NIGERIAN WATERS. WHEN IT RECENTLY BECAME APPARENT THAT FMG WAS INTENT ON IMPOSING FINES, THE SHIPS FLED FROM LAGOS HARBOR AND ARE NOW BEING PURSUED BY NIGERIAN PATROL CRAFT.

5. EGBE ADMITTED THAT NEW LOCAL SHORTAGES HAVE ALREADY APPEARED IN KADUNA, WARRI AND PORT HARCOURT INDICATING THAT DISTRIBUTION SYSTEM FROM LAGOS IS STILL FAR FROM EFFICIENT.
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